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Controller Reaches Settlements with Transamerica, New York Life and 9 Others

Wrongly-Withheld Benefits to be Paid to Families of Deceased Owners

SACRAMENTO – State Controller John Chiang today announced major, multi-state settlements with 11 life insurance companies, including Transamerica and New York Life, over unpaid life insurance benefits. Under the settlements, the companies have agreed to make each of their policy beneficiaries whole, pay 3% compounded interest, and adopt business procedures to ensure full compliance with the Unclaimed Property laws in order to protect policyholders and their families. These multi-state settlements are worth up to \$763 million nationwide, with up to \$86.7 million going to California beneficiaries.

“Too often, insurers have sidestepped their legal responsibility to make good on insurance policies purchased by their clients to provide peace of mind and financial security to their families,” said Chiang. “I’m pleased that these eleven companies have come forward and agreed to do what is right by their clients.”

The multi-state settlements resulted from Controller Chiang’s five-year investigation into the life insurance industry’s compliance with state unclaimed property laws.

Administered by the Controller, California’s unclaimed property program is a 50-year-old consumer protection law that requires businesses to send lost or abandoned properties to the State after three years of inactivity. The goal of the program is to safeguard private property from being lost during mergers or bankruptcies, used by private interests for ill-gotten gain, or drawn down by fees.

The Controller’s investigation has revealed an industry-wide practice of companies both failing to pay death benefits to the beneficiaries of life insurance policies and ignoring their legal duty to turn the money over to the State for safe keeping. Instead, companies would draw-down the policies’ cash reserves in order to continue collecting premium payments from the deceased. Once the cash reserves were depleted, the company would cancel the policy. Past audits also found that insurers did not routinely cross-check the owners of dormant accounts with government databases listing the deceased. In other cases, companies had direct knowledge of the policy owner’s death, but still did not notify the beneficiaries.

The companies involved in the latest settlements include: Transamerica, New York Life, Western & Southern, Pacific Life, Genworth, Hartford, ING, Symetra, Northwest Mutual, Sammons (Midland and North American), and TIAA-CREF.

Like previous settlements, the agreements announced today require the companies to do the following:

- Restore the full value of all impacted accounts dating back to 1995;
- Fully comply with California's unclaimed property laws and cooperate with the Controller's efforts to reunite these death benefits, annuity contracts and retained asset accounts with their owners or, in many cases, the owners' heirs;
- Pay the policy beneficiaries 3% compounded interest on the value of the held amounts from 1995, or from the date of the owner's death, whichever is later.

To date, Controller Chiang has reached global settlements with [18 life insurance companies](#), with an aggregate value of \$266.7 million belonging to California beneficiaries, and an estimated \$2.4 billion nationally. These 18 companies write more than 50% of all the issued and active life insurance policies nationwide.

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